

Inter-American Foundation  
Meeting of the Board of Directors  
August 10, 2015

The board of directors of the Inter-American Foundation (IAF) met at the IAF at 1331 Pennsylvania Avenue, NW, Washington, DC 20004, on August 10, 2015. Board members present were Eddy Arriola, Chair; Amb. Thomas Dodd, Vice-Chair; Kelly Ryan, Member; John Salazar, Member; and Roger Wallace, Member. IAF staff members in attendance were Robert Kaplan, president; Stephen Cox, managing director for networks and strategic initiatives; Lesley Duncan, chief operating officer; Marcy Kelley, managing director for grants and portfolio management; Manuel Nuñez, managing director for external and government affairs; Emilia Rodriguez-Stein, director for Evaluation; Karen Vargas, executive assistant. Paul Zimmerman, general counsel, and Anita Perez-Ferguson, advisory council member, joined via tele-conference. Christopher Wood, Budget Specialist joined the meeting for the financial discussion.

**I. CALL TO ORDER**

Board chairman Eddy Arriola began the meeting with a statement of gratitude for the participants' time, energy and enthusiasm. He commented that the meeting agenda was full and interesting. Arriola called the meeting to order at 9:01 a.m.

**II. APPROVAL OF THE MINUTES**

The minutes of the meeting on November 10, 2014 of the IAF board of directors and advisory council were approved and adopted by a unanimous voice vote.

**III. MANAGMENT REPORT**

**A. Overview (Robert Kaplan)**

Update on IAF Affairs

IAF president Kaplan welcomed the board members, commenting that much time had elapsed since the last meeting in November. He outlined the agenda and provided a brief update of IAF affairs since the last meeting. Stating that the update mainly highlights items introduced in the monthly management reports, he noted that the nine reports were included in the briefing book.

A full report on the IAF's FY15 program will be presented at the next board meeting, by which time the fiscal year will have ended. The development grants program for FY15 is on track despite some major changes in the program office, including a transition into two offices (grants and portfolio management and networks and strategic initiatives) and several staff assuming new positions and

country assignments. Importantly, the IAF is close to achieving its FY15 goal of dedicating 50 percent of new funding commitments to Central America and Mexico. The current portfolio of development grants is healthy, with 250-260 total active grants. Additionally, we have increased support for grantee exchanges and special capacity building initiatives. Strengthening our grassroots network is a primary objective of the realignment. We awarded fourteen fellowships for Ph.D level field research related to grassroots development. Steve Cox will say more on the fellowship program.

The IAF has procured a new grants management system that will be implemented over the next few months to consolidate relevant grants data that are currently stored in several siloed systems; data integration will enable us to analyze results more easily and effectively, informing our own decision-making and enabling us to share lessons with others.

We have made progress in efforts to raise the IAF's visibility. We now have many short videos on the website, and we have recently also launched a blog and a Facebook page. Among several IAF-sponsored public events was a very visible series of discussions and a video launch around lessons from the response to the earthquake in Haiti five years ago. Manny Nuñez will say more.

### Grantee Perception Survey

Kaplan reminded the board that three years ago the IAF became the first US government agency to participate in the Center for Effective Philanthropy's (CEP) Grantee Perception Survey. The survey's usefulness derives from the ability to draw comparisons with other grantmakers, as well as with surveys of the same grantmaker in previous years. Last fall, the IAF participated in the survey for a second time, and CEP sent about 200 confidential survey requests to IAF grantee partners; about 70 percent responded. The grantee perception report, presented to the management team in March, compares responses from IAF grantee partners with those of over 42,000 grantees from nearly 300 foundations, as well as with a smaller cohort of fourteen international funders (e.g. Ford, Kellogg, MacArthur, Mott, Skoll, etc.). It also compares the IAF's absolute and relative results with our own results reported three years ago.

We have discussed the report with staff, presented it to our in-country teams and shared it with all grantee partners who had been invited to participate. It is posted on the IAF's website in full, as well as summarized in four languages. The principal findings were slightly better but mostly consistent with those of the previous survey. They included high ratings on impact in grantees' field, community and organization, as well as on the grantee-funder relationship, helpfulness of selection, reporting and evaluation processes, and on non-monetary assistance such as opportunities for grantee meetings and exchanges. This last area was prioritized by IAF grantee partners three years ago, and we are gratified to see higher ratings reflecting the fact that we have increased these initiatives. The IAF received relatively low scores on responsiveness and consistency of communication, with grantees noting a long wait to receive a definitive commitment of funding and spending a lot of time on administrative requirements.

### Evaluation

Kaplan provided some comments on evaluation. First, the IAF contracted Giving Evidence, a British consultancy dedicated to helping non-profit organizations use evidence to improve the impact of their work, to conduct interviews and focus groups with our grantee partners to learn what they find so helpful about our evaluation process. Giving Evidence will prepare a case study with findings and provide the IAF with suggestions about how we could improve the utility of our evaluation process for our own decision-making while preserving its value to our grantee partners.

Second, we completed ex-post assessments on eight projects related to civic participation that ended five years ago. The assessment looked at the experience of groups working to increase the effectiveness of citizens' organizations collaboration with public authorities, including for the purpose of allocating participatory budgets. With these eight new projects, there are now a total of 21 ex-post assessments available on our website. This year, ex-post assessments will be conducted on nine grants in eight countries, studying the very relevant topic of youth.

Finally, the evaluation team will shift into the networks office in October as part of the strategic realignment to strengthen our ability to tie together evaluation, learning and new programming.

### Audits

The USAID Office of the Inspector General (OIG), which provides the internal audit function for the IAF, conducted a program audit in El Salvador and Brazil. We have received a draft report with recommendations about increasing counterpart commitments in El Salvador, applying OMB and other requirements to grantees, and reporting fraud, waste and abuse to OIG. We are reviewing the report and will present comments so it can be finalized in the next couple of months.

The Government Accountability Office (GAO) concluded a performance audit on US agency programs to reduce unaccompanied child migration from Central America. The audit covered USAID; the Departments of Homeland Security, State and Justice; the Millennium Challenge Corporation and the IAF. The GAO recommended that the Departments of Homeland Security and State strengthen their evaluation of relevant programs. There were no recommendations for the IAF. Overall, this is a good report for the IAF and includes details about how the agency conducts and evaluates its program. We sent the full report to the board, and it is available on GAO's website.

The annual Federal Information Security Management Act audit is also in its final stage, and we are reviewing the draft report, which includes several recommendations.

### Board Nominations

There are two presidential nominations to the board pending Senate confirmation. Juan Carlos Iturregui has been nominated to the position currently occupied by Ambassador Dodd for a term through June 26, 2020. Luis Viada has been nominated to the position currently occupied by John Salazar for a term through September 20, 2018. Both had interviews the last week of July with a

staffer for the majority in the Senate committee. There are no other specifics or a schedule for Senate consideration of their confirmation.

Several board members congratulated the staff for the positive results in the grantee perception report and asked questions about the ex-post assessments and the IAF's evaluation process.

## **B. FY 16 Budget and Preview of FY 17 Request (Lesley Duncan)**

Chief operating officer Lesley Duncan recognized Chris Wood, IAF's budget and financial specialist. He started in May 2014 and plays an instrumental role in IAF's budget matters.

### Reclassification of Overhead

In June, the Office of Management and Budget (OMB) approved reclassification of certain implementation costs, which affect how we report "program support" (overhead). Following guidance for non-profit organizations from the American Institute of Certified Public Accountants, the IAF will now classify as program certain personnel, rent and travel items directly associated with implementing our programs. This results in a reclassification of about \$3.4 million, including 58 percent of our personnel costs, a pro rata share of rent, and program travel. The accounting lowers overhead from about 30 percent to 20 percent for FY14 and provides a more accurate comparison across agencies and sectors for OMB, Congress, and the general public. It also makes us more competitive to potential donors. Several board members expressed appreciation and support.

### FY15 Snapshot

The sources of funding for the FY15 budget are: \$22.5 million appropriated funds, \$6.1 million from the Social Protection Trust Fund (SPTF) and \$1 million from recoveries. In terms of expenditures, the bulk of these funds will be applied to grants and audits (about \$15 million), and the rest will fund program implementation (approximately \$8.8 million) and program support (about \$5.8 million). The principal categories in FY15 program implementation expenditures are program-related compensation and benefits, our in country local liaisons and data verifiers, the fellowship program, travel grants, studies and evaluation and program-related rent and travel.

### FY16 and FY17 Funding Scenarios

The IAF's FY16 budget would fund a slightly smaller program at the \$22.5 million appropriation level due to a reduction in collections from the SPTF of almost \$2 million. Congress has not yet approved FY16 appropriations bills, but both the House and Senate committees approved \$22.5 million for the IAF, which is the same as FY15 and substantially more than the President's request of \$18.1 million.

The President's FY16 budget also included a request for \$1 billion to fund a whole of government program of support in Central America directed through accounts managed by USAID and the

Department of State. Funds are intended to be transferred from those accounts to agencies working to implement the strategy, including the IAF. The House and Senate appropriations committees approved funding levels substantially below the President's request. Both expressed support in the committee report for transferring a portion of the funds to the IAF, with the Senate report mentioning a transfer of up to \$15 million. While such additional funding is still uncertain, we are taking steps to ensure that we would be able to deploy them effectively if they become available.

Several board members made favorable comments about the IAF's efforts to increase visibility on the Hill and the importance of Congressional support for a resource transfer. Kaplan and Nuñez commented that it has been a real team effort involving many staff members across the agency, as well as some of our in-country teams and especially our grantee partners who are among the most effective validators of the value of our work.

OMB's guidance to the IAF for FY17 is to present a budget for \$17.5 million, with the possibility of an additional \$900,000 for a special investment. In addition to those scenarios, we will again argue for base funding of \$22.5 million. SPTF resources will be even smaller in FY17. We understand that the President's budget may again request special funding for Central America. We will send the draft FY17 OMB submission to the board in the first week of September in order to finalize it before the September 14 deadline at OMB.

### **C. Strategic Initiatives and the IAF Fellowship Program (Stephen Cox)**

Managing director Steve Cox underscored that our purposes in creating the office of networks and strategic initiatives were to take better advantage of our invaluable network of thousands of current and former grantee partners, to enable them to work and learn together more effectively; to dive deeper into understanding and generating useful new knowledge about programmatic themes of importance; and to be more systematic about helping partners build their own institutional capacity. The Networks unit is also assuming responsibility for our fellowship programs and evaluation efforts. Cox thanked Ambassador Dodd for his important contributions to the fellowship program over several years. He recognized the good work done by the office of external and government affairs that had been responsible for implementing the program.

#### Fellowship Program Update

Cox gave a brief overview of the composition of the fellowship program, specifically noting that there are over 1,000 alumni with 131 fellowships awarded since 2007, when it was re-started after a lapse of several years. The program costs between \$500,000 and \$600,000 per year and is currently administered logistically by the Institute for International Education. The IAF awarded 14 doctoral fellowships for the 2015 – 2016 cycle, for work in ten countries across the region.

The IAF's fellowship program is competitive and highly regarded, with a first rate academic review committee. It fills a critical need in building the scholarly field of grassroots development. The fellows are from Latin America and the US, and are typically interested in mixed careers as

academics and development practitioners. Fellows have had limited interaction with the IAF mission, team, portfolio, and other alumni, and they also noted that they have few opportunities to return value to the communities where they conduct their research.

The IAF's fellowship program is also exploring ways to provide professional development opportunities to mid-career practitioners from our universe of grantee partners. To this end, in FY16 we plan to undertake a two-prong fellowship program: (1) refinement and continuation of our doctoral fellowships and (2) new leaders' fellowships for mid-career professionals..

Doctoral fellowships will expand upon the current model to build the scholarly and substantive field by supporting young scholars exploring new ideas and building an expanded knowledge base about grassroots development. We will work this fall to learn more about IAF fellowship alumni and take affirmative steps to integrate the 2015-16 cohort with the overall IAF program. This includes an orientation meeting in October 2015 and providing opportunities to interact with the foundation staff and in-country teams. We will also invite fellows to contribute to our communications and media products, and work with them to find ways to return lessons to the communities after their field research is completed. Board members expressed support for greater integration of the fellows program and commented on the importance of clarifying expectations from the outset.

Leaders fellowships would target talented social entrepreneurs in the IAF's grantee partner universe who are in mid-career and may not have had many opportunities to reflect, retool and learn in a structured way with peers. A modest investment in upgrading their capabilities could yield very high returns. Since many organizations already offer relevant programs using a variety of models, the IAF need not incur the high cost of starting a new program, but instead could piggyback on one or more of these programs. This has the added benefit of enabling our leaders fellows to plug into other large networks that further provide opportunities for peer interaction and access to mentoring and peer support.

### Strategic Initiatives

Cox described the participatory process used to select three strategic thematic initiatives to focus the IAF's programmatic work : (1) sustainable smallholder agriculture, (2) social and economic inclusion and (3) community asset mobilization. These reflect interest, potential and commitment among partners and staff, and they are clearly linked to US government priorities. Collectively, they make a compelling statement about the IAF's purpose. The networks team will be a service unit working with other parts of the foundation to help evolve and facilitate strategic initiatives.

Strategic capacity building initiatives are another example of a targeted effort, in this case reflecting specifically identified capacity building needs of IAF grantee partners and exploring partners and other actors best able to address them. In FY16, the networks team will be trying to diagnose the most compelling needs and identify opportunities for partnering with qualified training and service providers.

Finally, the IAF is working closely with technology partners to build a Partner Engagement Platform capable of facilitating and supporting our partners' needs to work with each other and an array of other relevant organizations, and have improved access online training and peer-to-peer learning opportunities. The team will make a more detailed presentation on this Partner Engagement Platform at the next board meeting..

#### **D. Ramping Up Efforts in Central America (Marcy Kelley)**

Kaplan provided context regarding Central America. He recalled the spike in unaccompanied minors crossing the U.S. border last year, the continued high incidence of emigration this year, worsening violence in El Salvador and a tense political climate in Guatemala and Honduras. The IAF has participated in an intensive inter-agency process on the US strategy for engagement in Central America and met with high level officials in the Department of State, USAID and National Security Council regarding the President's request of \$1 billion for efforts in Central America. Kaplan also mentioned his upcoming trip to El Salvador, Guatemala and Honduras in August to meet with Embassy, USAID and IDB offices. In this context, it is relevant that the IAF has already made a concerted effort to increase its development grants program in Central America and Mexico, directing close to 50 percent of FY15 funding actions to the region.

There has also been substantial Congressional staff interest in Central America this year. Two Congressional staff delegations requested meetings with IAF grantee partners in Guatemala and Honduras. The IAF will host another Congressional staff delegation in late August in Honduras and El Salvador which will include a roundtable of Guatemalan grantee partners. The Aspen Institute Congressional staff delegation will visit with Guatemalan grantee partners in October.

Board members said they were pleased to hear about actions taken by the IAF to remain relevant in this discussion, including cementing working level relationships in each of the countries.

#### Reversing the Tide by Building Stronger Communities: IAF's Special Initiative on Central America Migration (Kelley)

Managing Director Marcy Kelley reported that the IAF's active portfolio in Mexico and Central America as of September 30, 2014 included 110 active grants, of which 52 (47 percent) were in the northern triangle (El Salvador, Guatemala and Honduras). Agriculture, enterprise development, and education and training account for 75 percent of the grants. About 45 percent of funding in the three countries directly targets youth. Many support indigenous groups and women. These topics and population groups are prominent in the US government's strategy for Central America.

The US strategy mirrors the *Alliance for Prosperity*, which is the plan prepared by the governments of El Salvador, Guatemala and Honduras. The three pillars are prosperity, governance, and security. The IAF's programming aligns with the prosperity pillar in three areas: 1) the incorporation of women and minority entrepreneurs into the economy that along with youth are able to access and maintain jobs in rural communities; 2) the completion of primary school by youth and access to

secondary school along with addressing barriers for rural youth to complete secondary school and 3) conservation of water and protection of watersheds, along with pest and disease management, and the engagement in sustainable agriculture and landscape recovery. The IAF's programming aligns with the governance pillar with respect to the civic engagement of civil society organizations. In this respect, the IAF's ex-post assessments on civic participation last year are also relevant.

Migration has been an important recent theme for the IAF. We conducted focus groups with young people to explore what keeps them in their communities and what motivates them to leave. We have funded radio programs on the dangers of the trip north, and we are working with return migrants in El Salvador and Guatemala and leveraging resources from hometown associations in the US.

This year, the IAF expects to fund 29 new grants and 21 additional funds amendments in Mexico and Central America for a total 50 funding actions out of approximately 109. Of the 50 funding actions, 28 are in El Salvador, Guatemala and Honduras. In these three countries, the IAF operates in 143 municipalities (or sixteen percent of total), up from 119 last November. About 90 percent of funding in FY15 is concentrated in agriculture and food production, education and training, enterprise development and environment, again consistent with the U.S. strategy.

Finally, Kelley summarized how the IAF is preparing to invest substantially more resources in the northern triangle. The IAF's extensive network of civil society organizations represents a solid base because we know that they are capable of expanding their work. At the same time, we currently fund only about 11 percent of incoming proposals, so there is substantial room for growth. In anticipation of potential increased funding for Central America, we have developed a pipeline of more than 40 funding actions totaling \$6 million, as well as 30 others identified for prescreening.

There were comments regarding expected timeline and the process for monies to be transferred. Kaplan reiterated that this has truly been a collaborative effort between the grants, networks, and external affairs offices and the in-country teams as well.

#### **E. Update on Statutory Amendment to IAF's Enabling Resolution (Paul Zimmerman)**

In April, the Board unanimously passed a resolution seeking an amendment to the IAF's enabling legislation to authorize the IAF to establish a subsidiary corporation. By early May, we had put together a legislative package (the draft bill, a line by line analysis and transmittal memo) and submitted it to inter-agency review coordinated by OMB. This resulted in comments from a few agencies, to which we responded with a re-draft of the bill and line by line analysis. An OMB office then raised an issue about the degree of control that OMB would be able to exercise over non-appropriated funds managed by the subsidiary corporation. The proposal remains under consideration within OMB.

Kaplan added that we have maintained contact with key stakeholders on the Hill who have reacted positively to and are enthusiastic about this action.



## **E. Raising the IAF's visibility (Manuel Nuñez)**

Managing director Manuel Nuñez began by framing his presentation on efforts to raise the foundation's visibility within the context of the IAF's strategic goal four: *Increase awareness, understanding and support for the IAF and its program among key audiences in order to draw more resources into grassroots development.* He briefly recounted the IAF's target "resource" audiences: government agencies, Congress, and the private sector. Other audiences support our messaging by acting as third-party validators.

### Multi-media approaches

In 2012 the IAF had two primary communication channels — a website and two print publications. Over the last three years, we have moved away from print in favor of an expanded digital strategy. The website remains the anchor of the digital offering, now including a blog and more than 60 videos, photographs, news and other content about our programs and the agency. Our journal and annual report are available on the website. We also operate a Facebook page and Twitter account.

We rely heavily on email, and with the assistance of the GovDelivery network, since January the IAF has gained over 10,000 new email addresses of subscribers to our monthly e-bulletins and other messages. This contributed to in website traffic in February and March. Traffic is about 2,500 to 3,500 visitors per month. With 63 videos now on the website, there have been 127,001 loads and 7,401 total plays since 2013. Although the trend line is flattening, 50 percent of the views took place last year. We now also have a suite of social media tools to support our other communications products. The IAF Facebook page launched in June has 741 likes and averages 1.6 posts per day. The IAF's Twitter account, established in 2012 has 475 followers and averages 1.4 tweets per day. We have seven blog posts since starting the IAF blog in June -- about one post per week. Our challenge is to be consistent in providing high frequency good content to build up our audience.

Personal interaction with our grantee partners is an important motivator to support our work. The IAF has increased the number of sponsored events, such as grantee roundtables and engagements on Capitol Hill, such as the annual coffee and chocolate event. The roundtable and launch of a short film on Haiti to mark the passing of five years since the earthquake in Haiti was very successful in raising the IAF's visibility, as was the opportunity for IAF president Kaplan to testify last fall regarding unaccompanied migrant children. The IAF has benefitted from substantial interest from Congressional staff. In addition to the two staff delegation visits to Central America sponsored by the IAF, two other staff delegations requested meetings with IAF grantee partners earlier this summer, and the Aspen Institute sponsored staff delegation will visit an IAF grantee partner in Guatemala in October.

Participating in inter-agency policy committees have also provided important opportunities to raise our visibility within the government. Since first participating in the inter-agency policy committee for the Partnership for Growth almost four years ago, we have participated on the Central America strategy, Summit of the Americas and US-Cuba relations. These can put a significant burden on a small agency staff, but our presence in these meetings, as well as our inclusion in multi-agency

reports conducted by the GAO and others or Congressional dinners sponsored by the Inter-American Dialogue, underline our relevance on major issues of the day.

Núñez concluded that our challenges ahead are to increase leverage of the email subscriptions, grow our social media audience, implement web engine search optimization, align communications with IAF strategic themes and continue securing third-party validation to echo our messages.

## **G. Preparing for Cuba (Robert Kaplan)**

Kaplan recapped President Obama's announcement on December 17 regarding changes to the US policy toward Cuba. Since then there have been major developments, including removing Cuba from the list of state sponsors of terrorism and the opening of embassies in Washington and Havana. In this context, it is appropriate to begin thinking about what the IAF could usefully do in Cuba at the appropriate time and to take measured steps in preparation for what's to come.

Given the foundation's lack of knowledge and experience in Cuba, we need to learn from others about specific challenges and opportunities for grassroots groups and define a clear value proposition for our work. The situation is dynamic, and we need to stay abreast of the evolving legal and political environment concerning Cuba both in the US and in Cuba. Developing relationships would serve the IAF as we prepare ourselves for work in unfamiliar territory. Kaplan reported on his conversations with knowledgeable stakeholders, including US government officials, academics, think-tank staff, business organizations with programs or interests in Cuba, development organizations and members of the IAF's advisory council. All confirmed that the IAF's approach would have utility in Cuba at the right time, and many felt that the IAF is uniquely positioned among US agencies on issues categorized as "entrepreneurship" and "community organization."

With respect to the United States' legal framework for working in Cuba, Zimmerman summarized the change in the Administration's approach as "moving from a regime of prior permission required through a narrow office within Department of State for any contact or communication with Cuban officials, to a regime of notice of contact or communication." At the same time, hard restrictions remain in full force prohibiting transactions with or assistance to Cubans, including private Cuban citizens. A key question is what constitutes "assistance." From a legal perspective, Zimmerman noted that these are the early stages of a thaw of relations that will require a step-by-step process.

Kaplan suggested that in this context, it is sensible for the IAF to be cautious and coordinate with the White House and Department of State any future involvement. Throughout, our focus should be on the IAF's mission and what the agency is uniquely equipped to do when the time comes. He suggested that one way for the IAF to explore opportunities could be to facilitate peer exchanges between Cuban grassroots groups and IAF grantee partners with experience in issues that will be salient in Cuba. Examples include cooperatives (enterprise management, co-op governance and market development), community tourism and coastal zone management.

The Board provided useful comments and reactions to the IAF's thinking about engagement in Cuba. The discussion included positive remarks on the IAF's intent to get informed and ready in light of a rapidly changing environment. At the same time we should heed concerns about human rights. There was agreement that the IAF should remain cautious and respectful of various sentiments regarding Cuba. There were several comments reaffirming the relevance of the IAF's work and the value of its historical experience throughout the region. The conclusion was that the IAF should continue to ready itself for a time when it is appropriate, while remaining judicious of the restrictions still in place.

#### **IV. DATES FOR MEETINGS IN 2016**

The next board meeting will include the full advisory council and will take place on Monday, November 9<sup>th</sup>. Baker & McKenzie has once again agreed to host the meeting at their law office. Thanks to advisory council member Ambassador Hector Morales!

The board set the following dates in 2016 for a trip, two meetings and a conference call:

**February:** week of 2/21 or week of 2/28 for a board trip

**Monday, May 2:** meeting in Washington, DC

**Wednesday, August 3:** conference call

**Monday, November 14:** meeting in Washington, DC with the full advisory council

#### **V. ADJOURNMENT**

The meeting was adjourned at 12:54 p.m. by Chairman Arriola.